FILED
AUG 12 1992
OFFICE OF THE CLERK

No. 92-33

IN THE

Supreme Court of the United States

OCTOBER TERM, 1992

ROSE ART INDUSTRIES, INC.,

Petitioner,

vs.

KENNER PARKER TOYS INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY BRIEF

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OVERVIEW

The basic arguments for this Court to deny certiorari advanced by Kenner in its Brief are fallacious.

Kenner argues that this is merely a dispute between two businesses and therefore is unworthy of consideration by this Court. But all lawsuits can be so characterized. The true question is: What are the issues that are presented to this Court?

Kenner believes that certiorari should be denied because Rose Art has already had the rulings of two tribunals on the issues involved. That is simply incorrect. The basic issue of procedure here involved -- whether the Court of Appeals for the Federal Circuit followed the statutory rules of appellate review in dealing with the central issue of fact found by the Board -- the generic-

ness of "Dough" -- is applicable only to a court of appeals, it obviously was not involved at all in the Board's ruling. The only recourse that Rose Art, or any party, has with respect to a wrongful action by a court of appeals, with respect to a matter dealt with by the court of appeals in the first instance, is by certiorari to this Court. If this Court is not available to review arbitrary and wrongful actions initially taken by the courts of appeals, whoever the parties may be and whatever the other issues in the case may be, then the courts of appeals are free to function untrammeled. The right to at least one appellate review is basic, and that is what Rose Art here seeks.

Kenner says that the substantive issues of trademark law here involved are well settled, that Rose Art is trying to ignore the basic principle of trademark interpretation that marks should be considered as a whole, and certiorari should be denied for that reason as well. Kenner is wrong.

Rose Art agrees that the marks should be considered as a whole, but complains that the Federal Circuit's decision did not properly do that. Necessarily involved in comparison of the marks as a whole is an evaluation of the nature of any common portions of the marks to give them the weight to which they are legally entitled in the likelihood of confusion analysis. The court did not analyze the situation in that manner.

When the marks include, as here, a portion which is common, the weight to be given to the common portion in determining likelihood of confusion is controlled by the ability of that portion to function as a source identifier, that is, its "strength". This is well established law. The Board followed the law, and decided in Rose Art's favor. The Court of Appeals did not follow the law and explicitly declined to consider the generic nature of the common portion of the marks, and in so doing departed from the established rules of analysis in likelihood of confusion cases involving marks with common portions. Those rules are of general application and impact all businesses and all trademarks. An

authoritative statement by this Court with respect to the appropriate analysis for determining likelihood of confusion when marks have common portions will be a meaningful, and now necessary, contribution to trademark law.

Moreover, because the Court of Appeals gave no consideration at all to the generic nature of the common "DOUGH" portion, Rose Art has not had the benefit of proper appellate review of the decision of the Board. A ruling by a court of appeals which ignores basic substantive law -- which explicitly rejects an analysis which takes into account the generic nature of the only common portion of the marks - is no appellate review at all.

Rose Art is not seeking two bites of the apple. It seeks relief from a

procedural error peculiar to courts of appeal, and hence an error thus far never reviewed by any court and with respect to which Rose Art has no recourse except to this Court. And the involved substantive law which the Court below erroneously applied is of general importance far beyond its impact on the parties to this litigation.

ARGUMENT

A. GRANTING THE WRIT WOULD BE THE FIRST AND ONLY APPELLATE REVIEW OF THE FEDERAL CIRCUIT'S APPLICATION OF RULE 52(a).

Petitioner does not seek a second appellate review. This is the first time that the issue of the propriety of the Federal Circuit's disregard for the "clearly erroneous" standard of Rule 52(a) is before any Court.

Only this court has the authority to oversee the United States courts of appeals to insure uniform compliance

with the statutory standards of review. Rule 10.1 of the United States Supreme Court Rules specifies that it is a function of this Court to exercise its power of supervision (a) when there has been a significant departure from the "accepted and usual course of judicial proceedings" and (b) when one United States court of appeals has rendered a decision in conflict with the decision of another court of appeals on the same matter.

The decision of the Federal Circuit in this case departs significantly from the standard of appellate review set forth in Rule 52(a) of the Federal Rules of Civil Procedure by not following the central finding of fact by the Trademark Trial and Appeal Board as to the generic nature of the common "DOUGH" portion of the marks. As it is, the decision sends

a message that courts of appeals may simply ignore the findings of fact of a lower tribunal, without determining same to be "clearly erroneous", if they choose to do so. It apparently makes no difference if the lower tribunal has particular expertise in the area of law involved or that the decision was unanimous, well reasoned and scrupulously followed established precedent.

Moreover, there is a significant conflict between this Federal Circuit decision, on one hand, and the Federal Circuit's prior decisions as well as those of the other courts of appeals, on the other hand, with regard to the issue of the appropriate analysis to be employed to determine likelihood of confusion in cases where marks have a common portion. In the past, the Federal Circuit and other courts of

appeals which have considered this matter have uniformly upheld decisions in which the analysis for determining likelihood of confusion included a consideration of the source identifying capability of any common portion of the marks (Petitioner's main brief, pg. 28-34). Yet here the Federal Circuit has arbitrarily choosen to ignore entirely the fact that the only common portion of the marks is totally devoid of trademark significance. The decision leaves the courts without any guidance as to what, if any, weight should be given to the capability or lack thereof of any common portions of the marks as a source identifier. The appropriate analysis to be employed in determining likelihood of confusion in cases where the marks have a common portion is therefore in doubt.

Only this Court has the authority to supervise the United States courts of appeals to insure that the statutory standards of appellate review are uniformly and justly applied and that conflicts between decisions of courts of appeals are appropriately resolved. These issues are now before this Court for the first appellate review.

B. THE ISSUES OF APPROPRIATE ANALYSIS TO BE EMPLOYED TO DETERMINE LIKELIHOOD OF CONFUSION, THE FREEDOM TO USE GENERIC TERMS AND WHETHER GENERIC TERMS CAN ACQUIRE SECONDARY MEANING ARE OF GREAT SIGNIFICANCE, FAR BEYOND THE PRIVATE DISPUTE BETWEEN THE PARTIES.

The decision of the Federal Circuit appears to change the established law on several substantive trademark issues important to the business community as well as future litigants in intellectual

property law cases. These changes, if upheld, will have impact far beyond the particular parties involved.

For predictability of outcome, the analysis to be employed in determining likelihood of confusion must be well defined by the courts and applied uniformly by all tribunals. This type of certainty is necessary to permit businessmen to reliably select trademarks which do not conflict with competitor's marks when entering the market. The decision of the Federal Circuit in this case makes forecasting whether likelihood of confusion exists in a particular situation virtually impossible because it has failed to follow what were considered to be the established rules to make this determination. One does not know if the source identifying capability of any common portion of marks should be

considered as an important factor in the analysis. In fact, one does not know if it is a factor to be considered at all.

Until the present decision, the decisions of the Federal Circuit uniformly indicated that in considering marks as a whole, the source identifying capability of any common portion of the marks is an important factor in the analysis. For example, in In re Nat'l Data Corp. 753 F.2d 1056, 1058-59, 224 USPQ 749,751-2 (Fed. Cir. 1985) the Federal circuit stated that this type of analysis appears to be "unavoidable":

> That a particular feature is descriptive or generic with respect to the involved goods or services is one commonly accepted rationale for giving less weight to a portion of a mark...Without question, the descriptive or generic character of an expression which forms part of both marks under consideration is pertinent to the issue of likelihood of confusion... Where a descriptive [or

> generic] term forms part of two or more marks for related products for services]...the decisions recognize that the purchasing public has become conditioned to this frequent marketing situation and will not be diverted from selecting what is wanted unless the overall combination have other commonality. In a sense, the public can be said to rely more on the non-descriptive [or non-generic] portion of each mark.

If the opinion of the Court below remains uncorrected, one can never safely employ a trademark which includes a generic term which has been used as a part of a trademark by another, for it will be impossible to predict what analysis will be employed to evaluate likelihood of confusion in that situation. The selection of marks becomes a dangerous endeavor because there are no longer guidelines of what is and is not acceptable. Having established guidelines results in order in the market place and is the very

purpose of legal precedent.

Heretofore, the freedom of competitors to use a generic term as a portion of a mark seemed unquestionable. This is particularly true where, as here, there is no commonly used alternative which effectively communicates the same functional information. If it were otherwise, a grant of trademark status would effectively prevent a competitor from marketing a competitive product. Yet, the decision appealed from indicates otherwise, leaving this issue unsettled and this important right in doubt.

The principle that generic terms can never acquire secondary meaning, no matter how extensively used, was considered one of the basics of trademark law. According to the decision below, however, acquisition of

rights in generic terms is possible. All that is necessary is that the generic term be a part of an extensively advertised mark. Thus, those with sufficient funds to mount extensive advertising campaigns, thereby to make their marks "famous", can obtain private property rights in public domain generic terms.

It is evident that the impact of the Federal Circuit's decision on these substantive issues is broad in scope, reaching far beyond the dispute between the particular parties in this case. The decision appealed from derails several established principles of trademark law. If allowed to stand, it will have a significant affect upon the selection of trademarks and the analysis of likelihood of confusion cases for years to come.

C. COMPARING MARKS AS A WHOLE REQUIRES A CONSIDERATION OF THE SOURCE OF IDENTIFYING CAPABILITIES OF ANY COMMON PORTION.

Kenner's argument that comparing the marks as a whole somehow prevents a consideration of the source identifying capabilities of any common portion is a misstatement of the law and is patently absurd. The DuPont and Glenwood decisions of the C.C.P.A. cited by Kenner in alleged support of this reasoning do not stand for any such a proposition.

In DuPont, the very first factor listed as being important in testing for likelihood of confusion involves

focusing on similarities between the marks in their entireties as to appearance, sound, connotation and commercial impression. This can only mean comparing the marks to see which

portions, if any, are the same in appearance, sound, connotation and commercial impression.

It is important to remember that, unlike here, DuPont involved the identical mark "RALLY", used by the parties on different goods. That decision did not deal at all with a situation in which the similarities between the marks was a result of a common portion which is generic or address the issues of the weight to be accorded a generic portion of a mark or whether a common generic portion could properly be the basis for a finding of likelihood of confusion.

While DuPont is instructive because it outlines the factors to be considered in analyzing likelihood of confusion in general, the factual situations are not comparable. It was not concerned with the particular questions here involved.

In any case, following DuPont would not lead one to disregard the source identifying capability of any common portion of the marks when considering the marks as a whole. To the contrary, DuPont only makes sense if the character of common portions is considered.

The Glenwood court explicitly stated that it agreed with the Board that in comparing the marks MYSOLINE and MYOCHOLINE in their entireties, the character (source identifying capability) of the common portions, the prefix "MY" and the suffix "INE", must be considered. Since neither common portion had any meaning to the pharmacist (and hence both have a high degree of source identifying capability because they are not generic or descriptive) confusion was found and

upheld (in spite of a strong dissent by Judge Rich on the issue of the "greater care doctrine" in pharmaceutical cases).

Neither case cited by Kenner, nor any case known to us, stands for the proposition that in considering marks in their entireties it is improper, if common portions are present, to determine the effect of the source identifying nature of the common portions on whether the marks as a whole are likely to confuse, that is, the weight to be given to the common portions in that connection.

These inquiries are not mutually exclusive. To the contrary, they are merely sequential steps in the proper analysis.

D. IN GRANTING CERTIORARI, BOTH PROCEDURAL AND SUBSTANTIVE QUESTIONS MUST BE ADDRESSED.

It is evident that the decision of the Federal Circuit violates the "clearly erroneous" standard of Rule 52(a) on the genericness issue. However, simply reversing on that procedural question alone will not correct the dangerous substantive errors which characterize the decision below. In particular, uncertainties with respect to the appropriate analysis to be employed in likelihood of confusion cases, the extent to which competitors are free to use generic terms, and whether generic terms can acquire secondary meaning, would not be resolved by considering only the procedural issue.

These substantive issues must be considered and determined to re-

establish uniformity in the guidelines for analysis of likelihood of confusion cases where marks have common portions. Otherwise, the Federal Circuit decision is likely to foster confusion as to the appropriate analysis to be applied in this type of likelihood of confusion case and what are acceptable actions of competitors as they enter into the market against a dominant brand.

Even more far reaching in terms of impact, the law as to whether one can acquire exclusive rights to a generic term through advertising and use of a mark which contains the generic term must be clarified. If it is not, generic terms may be removed, one by one, from the public domain by private interests financially capable of spending large sums to advertise marks which contain such terms and make those marks "famous".

CONCLUSION

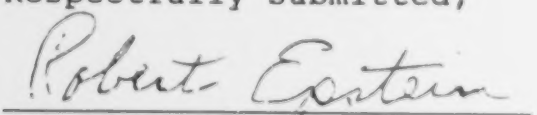
This writ should be granted. It would be the first and only possible appellate review of the Federal Circuit's refusal to follow the "clearly erroneous" standard of Rule 52(a) in this case. This Court's own Rule 10.1 indicates that supervision is properly exercised over the courts of appeal where, as here, there has been a significant departure from the accepted and usual course of judicial proceedings and where there is a conflict between decisions at the federal appellate level.

Moreover, the substantive issues of trademark law which are involved are important and have consequences far beyond the particular parties involved. The decision leaves in doubt the proper

analysis to be employed in determining likelihood of confusion between marks where common portions are present. It puts the freedom of competitors to use generic terms in doubt. It reopens the question, long considered and decided otherwise, as to whether one can acquire secondary meaning for a generic term through extensive advertising and therefore convert a public domain word into private property for economic advantage.

New York, New York
August 7, 1992

Respectfully submitted,



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